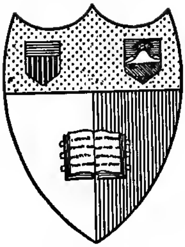
HG
297
K2



New York
State College of Agriculture
At Cornell University
Ithaca, N. Y.

Library

Cornell University Library
HG 297.K2

The gold standard:its causes, its effect

3 1924 013 734 953 mann

Cornell University Library

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924013734953

THE

GOLD STANDARD:

ITS CAUSES, ITS EFFECTS,

AND

ITS FUTURE.

FROM THE GERMAN OF

BARON WILLIAM VON KARDORFF-WABNITZ.

PHILADELPHIA:
HENRY CAREY BAIRD & CO.,
INDUSTRIAL PUBLISHERS, BOOKSELLERS AND IMPORTERS,
810 WALNUT STREET,
1880.

RECEIVED
JAN 31 1924
DEPARTMENT OF
FARM MANAGEMENT.

@
HG297
K2

CONTENTS.

PAGE.
Introduction 5
I.—Nature and Significance of the Gold Standard 8
II.—The Introduction of the Gold Standard into England 12
III.—Adoption of the Gold Standard in the United States 18
IV.—The Monetary Policy of France 25
V.—The Introduction of the Gold Standard into the German Empire 29
VI.—The Prophecies of Messrs. Seyd and Wolowski 35
VII.—The Economic Importance of Metallic Money.—Demonetization of Silver and its Effects.—The Universal Adoption of the Gold Standard 38
VIII.—The Principal Objections to the Double Standard, and One Great Objection to the Gold Standard 44
IX.—The Paris Monetary Conference.—The Bland Silver Bill.—Suspension of the Sales of Silver by the German Empire 50
X.—The Future Monetary Policy 55

@ 37521

PREFACE TO THE AMERICAN EDITION..

The question of the relative merits of bi-metallism and the single gold standard, and of the consequences involved in an attempt to give universality to the gold standard, has attracted but little attention and elicited less popular discussion in this country. Although our Government invited an International Convention on the question, and has been instructed by Congress to take further steps to promote the universal acceptance of the double standard on a basis to be fixed by treaty between all the great commercial powers, the import of its action appears to be but little understood by those who, without having considered European opinion on the subject, dispose of it as though it were but an unimportant local question, and treat that which is pre-eminently an international question as though it were exclusively a national one.

The following pages by Baron William von Kardorff-Wabnitz, will give the reader an idea of the breadth and earnestness of the continental discussion of this question. The profound and general study which Baron Kardorff has given to it is illustrated by every page of his pamphlet. He many years ago avowed himself a disciple of Henry C. Carey. He accepted and labored earnestly to promote the establishment of the Empire; but he dissented from the action of the Government when it abandoned the protectionist traditions of Germany, and substituted approximate free trade for the system of protective duties which had grown up under the Zoll-Verein—the customs union, the avowed object of which, while giving freedom of intercourse to the German people among themselves, was to protect their industries against foreign competition, and which gave that breadth, stability, and power to those industries, and that union among the several German states which resulted in the great German Empire of 1866–70.

During his more than ten years' service in the Reichstag, when the cause of protection seemed utterly hopeless, like his great teacher in similar periods of discouragement in this country, Baron Kardorff proclaimed the true doctrines of Social Science and National Economy, both on the floor of the Reichstag and in many popular letters and addresses. With Herr

Windhorst, who led the Ultra-Montane wing of the Conservative forces of 1879, he shared the honor of re-establishing the protective policy as that of the German Empire.

From the first, he also dissented from the attempt to abandon the use of silver and establish a gold standard in a country whose metallic money consisted exclusively of silver; and in his earliest writings on the subject portrayed scarcely less clearly than did Messrs. Wolowski and Seyd at the close of the Paris Monetary Convention of 1867, the paralysis of trade that would be produced by the attempt to demonetize one-half of the metallic money of the world. To Germany he therefore speaks as an authority, and his rapid discussion of the times in which and the means by which the gold standard was established in England, the United States, and Germany, and his portrayal of the superior management of France, cannot fail to be full of interest, and to carry great weight with the American people.

In presenting this translation of his pages to the American public, we bespeak for it a general and careful perusal.

Philadelphia, September, 1880.

THE GOLD STANDARD,

ITS CAUSES, ITS EFFECTS, AND ITS FUTURE.

INTRODUCTION.

SCARCELY any economic or political question appears so little calculated to produce a deep and general interest in the wider circles of our country, as that politico-monetary controversy which is called the monetary standard question.

When the German Empire, through its legislative agents, gave unity of form to the German system of coinage, the parliamentary debates of the Reichstag were indeed able to attract attention, both inside and outside of the Chamber; yet the establishment of a German unit of coinage in the place of the intolerable confusion which had previously reigned in Germany, in the place of the varied competition which the previous thalers, guldens, florins, Louis-d'ors and Friedrichs-d'ors, silver groschens, gute groschens, schillings, kreuzers, grotes, etc.—who shall enumerate them?—had produced, must be regarded as in the highest sense a national work. It was the removal of a nuisance which had hindered the development of our commercial relations.

Compared with the important consideration which now presses to the foreground, the question whether we did well in choosing the single gold standard as a basis for the reform of our monetary system, possesses a minor importance.

The few members who were to some extent familiar with the history of the introduction of the gold standard—or of whom such an acquaintance was at least supposed—were unconditional advocates of the single gold standard. While I do not state that the authority and eloquence of Messrs. Bamberger, Michaëlis, Delbrück, etc., would have secured for it the almost unanimous adoption which it received in the Bundesrath as well as in the Reichstag; they were, I think, led generally by the vague sentiment that the German Empire, in the thriving financial position of recipient of five billions, could, without any danger, follow the precedent of England and the simultaneous example of the North American Union, in the regulation of its monetary basis.

To the theoretical considerations:

That it is as little advisable to have in gold and silver two different measures of value for the transfer of commodities, as to establish two different kinds of water-mark for the determination of the height of the water in a stream;

That in double-standard countries the variability of the relation of values between gold and silver prejudices the security and reliability of trade, and produces disturbing fluctuations in the value of goods;

That the double standard country constantly runs the risk of being deprived of its better metal, *i. e.*, of the one whose value in relation to the other is rising;

That the diminution in the value of silver in relation to gold, which has been perceptible for thousands of years, makes the former appear no longer suitable as a standard metal; etc.

To these and similar theoretical considerations the vague sentiment is, in my opinion, in great measure due that the adoption of the gold standard represents a step forward in civilization which England had first taken, and which we could all the less neglect to imitate, since the French war-contribution afforded us immediately the requisite supply of gold.

At present it is but an exceedingly small proportion of the financial politicians in public life—in the civil service as well as in the parliamentary bodies—who are sufficiently informed on the question of a monetary standard. While German savants, as formerly Humboldt, later Nebenius and Soetbeer and others, have long been furnishing valuable historical and statistical contributions on the production and use of the precious metals, the practical statesman, in the monetary disorder of Germany prior to 1870, could scarcely find means for subjecting to a special study questions whose concrete political solution then appeared to lie very far off—questions which for this reason are to-day deemed dry, difficult, and complicated, as indeed they are.

Nothing could be more natural than that in this state of things the recent prohibition of the silver sales of the German Empire by the imperial Chancellor, should have been, especially in its inner causes and import, correctly comprehended by those only who instinctively felt that with this measure for the first time a check was offered to the gold standard theory represented by them and hitherto reigning unrestrained, and that the nation was called upon to grapple earnestly with the economic effects of the monetary policy which we had heretofore pursued, with the possibility of its further extension, and the necessity of eventually guiding it into other channels.

I.

NATURE AND SIGNIFICANCE OF THE GOLD STANDARD.

Mr. Thomas Baring, one of the chiefs of the English banking house of Baring Brothers & Co., bore witness that in London, during the financial crisis of 1847 it was not possible to borrow a guinea on 60,000 pounds sterling of coined silver. On the other hand, it is an authentic fact that in Calcutta, a possessor of 20,000 pounds sterling of gold coin during the commercial crisis of 1864, was obliged to declare himself insolvent because it was impossible to raise a single rupee on this gold.[1]

---

[1] H. C. Baird.—Money and its Substitutes.* Philadelphia, 1876, p. 13, note 2.

W. D. Kelley.—Silver as a Commodity, as Money, and as Material for Token Coins. Philadelphia, 1877, p. 1.

Messrs. Baird and Kelley are eminent disciples of Carey. Mr. William D. Kelley, one of the most prominent leaders of the Republican party, has become known here in Germany through his interview last year with Prince Bismarck, in consequence of which a portion of our press exposed its ignorance by suspecting him of being an agent of the American silver mining interests; a proof that the political and scientific importance of the man were as little understood as the North American mining relations, which, aside from the probably preponderating interest of the gold product, have this peculiarity, that in the principal mines (the Comstock lode, etc.), gold and silver are obtained in approximately equal values (cf. Suss, The Future of Gold). As the value of gold rises in the exact proportion that that of silver falls, the proprietors of these works obviously have no special interest in the standard question.

* The exact words of my statement are as follows:

"On the testimony of Thomas Baring we are assured that it was found impossible, during the crisis of 1847 in London, to raise any money whatever on a sum of £60,000 in silver. During a similar crisis in Calcutta in 1864, it was equally impossible to raise even a rupee of paper money on £20,000 of gold. The silver in London was not a legal tender above forty shillings, while the gold in Calcutta was not so for any sum whatever." H. C. B.

My object in placing these two practical examples at the head of my discussion, is to show that the monetary standard problem deals with serious things, and not with controversies whose decision would be a rather indifferent matter; and to make clear the nature and consequences of the single standard even to those who have hitherto lacked the opportunity, leisure, or desire to occupy themselves deeply with questions of monetary policy.

In crises men want money; and if the legal tender of a country which the debtor is bound to pay and the creditor to accept consists, as in India, of silver coin, the greatest quantities of gold are as ineffectual in supplying this legal medium of exchange as a given quantity of cotton, iron, indigo, or other merchantable commodity.

On the other hand the single gold standard in England, notwithstanding that London is the greatest silver market in the world, and that the charter of the bank of England permits the covering of its notes at one-fifth in silver, is so powerful in times of catastrophes that, there, silver at such times falls completely into the category of other merchandise.

In 1813, during the great financial depression of Prussia, it proved an efficient aid when the patriotic spirit of the people sent the quantities of silver plate in their possession direct to the mint, when even the little store of silver of small households, the few teaspoons or sugar-boxes from the scanty domestic stores of private citizens, were immediately transformed into thalers; and in France during the late war similar occurrences, if not on an extensive scale, at least in special cases, are said to have taken place.

It is to be hoped that the German Empire may never again be exposed to such exigencies, for it will be evident to all that after the establishment of the gold standard these offerings upon the altar of the country, which possess not only a material but a moral importance in strengthening and protecting the national sentiment of the people, would be placed beyond the reach of possibility.

It was reserved for the 19th century, to make the attempt through the proscription of that precious metal upon which the entire exchange of the world had hitherto almost exclusively rested, viz., through the demonetizing of silver—which in all parts of the world had served pre-eminently as coin, and to far greater extent than gold—to overthrow a custom of nearly three thousand years' standing.

At the end of the seventeenth century Locke[2] was still able to declare without contradiction that silver was the only possible and proper metallic standard, and to regard the coinage of gold as only resorted to in order to have a standard of the weight and fineness of gold wares, since gold was neither a current measure of value for goods nor a current metal of coinage of the world, but was wholly unadapted to both these objects. Some twenty years later, 1717,[3] great uneasiness still prevailed in England over the fact that the English silver coins were seen to be disappearing and emigrating and only gold ones were circulating; and it is of the highest interest that the great Newton, in an official opinion on this subject, rendered by him as mint-warden, expressed the view which in our day is everywhere discussed, namely, that the coinage of various countries should be conducted according to the closest possible relation between gold and silver—a discovery which we owe to the diligent zeal of Mr. Henri Cernuschi.[4] Nothing could have been easier for the renowned founder of the theory of light and discoverer of the law of gravitation, than the solution of the then existing difficulties, which are to-day regarded as so simple, and so self-evident, by recommending the transition to the single gold standard. Strangely enough, he did not go so far!

---

[2] Locke—"Further Considerations" quoted by Henri Cernuschi in his "Bimétallisme en Angleterre." Paris, 1879, p. 12.

[3] Ernest Seyd—The Decline of Prosperity. London, 1879, p. 85.

[4] Henri Cernuschi—Bimet. en Angleterre, p. 15.

Yet, so recently as 1858[5], such eminent national economists as Michel Chevalier and Cobden, recommended the adoption of exactly the opposite course in the policy of coinage, viz.: the demonetization of gold! Have we at last succeeded in dethroning King Silver? Is further advance in the path we have entered upon necessary or desirable, or the return to the former condition inconceivable? Are all these questions as definitely and unchangeably solved as the gold-fanatic would make us believe—or have there appeared, in consequence of the partial demonetization of silver, economic phenomena which render it probable that the world has learned to recognize the transition to the single gold standard as one of those errors which, from time to time, mysteriously acquire supremacy over the minds of men?

---

[5] Michel Chevalier—On the Probable Fall in the Value of Gold (translated into English with preface by Cobden, 1858).

II.

THE INTRODUCTION OF THE GOLD STANDARD INTO ENGLAND.

When Lord Liverpool, in 1816, proposed to Parliament the legal adoption of the gold standard, the circulation of the country consisted almost exclusively of depreciated bank notes, a consequence of the long Napoleonic wars.

To remove this condition, the government thought an entirely new system should be proposed. It declared that the English people evinced a preference for gold; that the richest nation of the world should adopt the most valuable metal as its standard; that if they should adopt gold coin as the measure of value in the exchange of commodities, they would especially need silver coin for change.[6]

England therefore demonetized silver at a time when it was not necessary to throw any stores of silver on the market, since no such stores existed.

It made gold a standard metal at a time when silver was still the customary metal, and sought for in the general trade of the world.

Whether the choosing of this course was due to the tacit conviction that it was easier for England to restore its coin circulation in gold than in silver—or in the well-founded assumption that Great Britain, the Queen of the Seas and of the commerce of the world, could monopolize the gold-trade for many years to come, as had been again and again asserted—is not germane to our present investigations. The sole important fact remains that Parliament passed the law in question, and that thereby for the first time the gold standard was established in a nation.

---

[6] E. Seyd—Decline of Prosperity, p. 9.

But not without considerable opposition. Lord Lauderdale, who has made himself a name as a politico-economic writer, declared in his protest delivered in the upper house, "that the idea was absurd that a rich country should banish silver, and that the statement was ridiculous that the nation had a special preference for gold."[7]

Many of the most prominent financial minds were of the same opinion; Mr. Baring among others, who three years afterwards advocated the restoration of the double standard, and in 1846, as member of the upper house, expressed himself in a pamphlet as follows:[8]

> "The first Lord Liverpool gave a very foolish reason for preferring gold to silver as a single standard, that the richest country in the world should have the richest metal for a standard. Common sense should have led an accurate observer to the very opposite conclusion. The wealth of a nation like ours does not consist in the precious metals. We hold little more of them than is necessary to circulate the almost countless millions of our wealth, and much less in proportion than is held by many much poorer countries. In proportion to the amount of wealth circulated, it is essential to enlarge for safety the metallic base which is to preserve paper from depreciation; and that, it cannot be doubted, is greatly enlarged by conforming to the practice of all our neighbors in taking the double, and if not the double, the silver standard."

In refutation of such utterances it is customary to assert that the powerful rise of the national wealth in England, since the introduction of the gold standard, affords the best proof that this was no mistake, but a step accompanied by the most brilliant results. But a man to whom no one will deny the gift of acute observation of the development of the condition of England, and whom we may confidently quote as authority, namely, none other than the present British Prime Minister, Lord

---

[7] Hansard's Parliam. Debates. Vol. 34.

[8] H. C. Carey—Appreciation in the Price of Gold. Philada. 1877, p. 15.

Beaconsfield, expressed himself in his inaugural address as rector of the University of Glasgow in 1873, in the following manner:[9]

> "It is the greatest delusion in the world to attribute the commercial preponderance and prosperity of England to our having a gold standard. Our gold standard is not the cause of our commercial prosperity, but the consequence of our commercial prosperity."

It should be further considered that the introduction of the gold standard into England was fictitious, in so far that the one hundred and eighty millions of British subjects in India preserved the silver standard; that the immense compass of British trade rendered it possible to transfer the chief silver market of the world to London, and thus to meet the requirements of the silver standard countries at any time with ever self-replenishing stores of silver.

It need not be determined here whether England's policy of allowing the silver standard to remain in India proceeded, as Carey intimates,[10] from shrewd calculation, because at that time silver was still the desirable metal and its demonetization would have caused the danger of producing a strong depreciation of silver, and thereby sensibly diminishing Great Britain's large drafts from Hindostan; or whether the feeble attempt in India to introduce the gold mohur failed through unscientific coinage regulations, or through the Indian preference for silver:[11] certain it is that this greatest and richest of all the British dependencies, with a circulation which is estimated at about two hundred million pounds sterling, possesses to this day the single silver standard.

---

[9] E. Seyd—Decline of Prosperity, p. 38. Likewise W. D. Kelley.—The Silver Question, speech in the House of Representatives, Washington, May 10, 1879.

[10] H. C. Carey.—System of Social Science. Adler's translation—Munich, 1863, ii., p. 457.

[11] E Seyd.—Decline of Prosperity, p. 8.

But even England found herself obliged, in 1844, to subject to a revision her banking act, which excluded silver bars as security for the notes issued, and so to alter it that in future the metallic reserve of the notes need no longer consist exclusively of gold, but might also consist of silver bars to the amount of one-fifth[12] —a decidedly significant step in the direction indicated by Mr. Baring, of securing a broader basis for the metallic reserve of the notes. And to any one who reads the speech of Sir Robert Peel delivered the 20th of May, 1844, there will remain no doubt that that noted statesman was then far from belonging to the believers in the infallibility of the gold standard theory; but rather will it be seen that the views which he had perhaps held under his former chief of cabinet, Lord Liverpool, had been considerably modified in the course of years. He said:

> "The reasons in favor of permitting the issue of silver are these:—The facility of exporting silver in preference to gold, when such export is expedient, is the true remedy against the inconvenience of our standard differing from that of other countries; and unless the circulation department is allowed to issue against silver, that inconvenience might occasionally be severely felt."

As the last mentioned event shows, the whole controversy—gold, silver, or double standard—took place in the years following 1816, and has remained of only secondary importance for the participation of the British public; *first,* because from the causes above discussed no depreciation of silver had occurred, and *secondly,* because the entire economic interests of the nation were primarily and completely engrossed by the bank-problem and the severe struggles which preceded the adoption of the present English banking law.

England, it is true, had enjoyed this advantage over states of the European continent, that it had never been the immediate theatre of the frightful wars which in the time of Napoleon I. visited all the nations of Europe in rapid succession with ravages and devastations; but participation in the wars had brought with it a heavy increase of her national debt, and the circulation of the country, as already remarked, consisted almost exclusively of depreciated notes.

---

[12] Loc. cit. p. 57. Also: H. Cernuschi—Bi-métallism en Angleterre, III.

While in our days France, with a skill in her financial operations which merits the highest admiration of all times, has met similar circumstances by quiet trust in her indestructible power of production, and in the pursuit of a commercial policy maintained for centuries, and has restored in an astonishingly short time the par value of her bank notes by the gradual strengthening of her metallic reserve—mindful of the truth, repeatedly established by practice, that rapid contraction of the currency produces inevitable crises and catastrophes of the most dangerous kind—England in those years was a prey to all the experiments which preceded the establishment of the present prevailing banking system.

The immense resources of the British empire; its supremacy in the commerce of the world; the rapid development of those astonishing industries, resting upon its natural treasures of iron and coal, which the inventions of Watt and Arkwright had called into life; the ceaseless influx of the wealth of India into the British Islands; all this could not prevent the fearful crises which the several rapidly changing phases of the British finance and banking policy necessarily brought on.

First, following out the doctrines of the prevailing financial school, there was a strong contraction of the note-circulation in order to force the resumption of specie payments, in consequence of which a business and financial crisis occurred, whose severity has not been exceeded by any in our times. Then inflation, great increase in the issue of notes, and in consequence of this apparent prosperity, apparent rapid growth of the national interests; then a second contraction of the currency and consequent return of the crisis; and so on, until ultimately the present bank act came into existence, the note circulation acquired a certain stability, and the inexhaustible resources of British prosperity were able, undisturbed by human folly, to enrich the country.[13]

It is self-evident that these events were of decidedly greater significance in economic development, and necessarily occupied public attention more, than the question whether the country could have withstood the blows of war more easily by the preservation of the single silver standard than with the gold standard which it had adopted.

The controversy as to standards appears to have lain dormant, until the discoveries of gold in California and Australia, in 1858 called forth the doubts of Michel Chevalier and Cobden as to the adaptability of gold; and until in the year 1867, during the Paris Exposition, an assembly met, which as Lord Beaconsfield in his above mentioned address says "grappled with a very beautiful, and in itself harmless, but not very easily realized ideal, namely, with the idea of establishing a uniform basis of coinage for the whole world; and yet never arrived at a definite recommendation respecting this object, but only at the conclusion that all the States of Europe must immediately take steps to introduce a uniform gold standard."

It is probably this conclusion of the gold theorists to which America and Germany are indebted for the introduction of the gold standard, the effects of which will be discussed further on.

---

[13] McCulloch—Note 9 to his edition of the Wealth of Nations—Article, Money. Also Carey—System of Social Science, ii., 482.

III.

ADOPTION OF THE GOLD STANDARD IN THE UNITED STATES.

The great commonwealth of the United States of America found itself after the war of secession in a monetary and financial condition similar to that of England in 1816; metallic money banished from trade, a large circulation of depreciated paper, a heavy national debt—everything just as it had been in England half a century before.

But while in England the introduction of the gold standard at that time was thoroughly discussed—while in the German Reichstag the question was, perhaps one-sidedly, but yet extensively talked about—America adopted the gold standard without itself knowing it.

The event is so peculiar that I cannot refrain from presenting it to my readers by citing appropriate passages from a Congressional address of the well-known member of the American House of Representatives, Mr. William D. Kelley, a copy of which lies before me, as separately published in Philadelphia in 1879.[14]

I will premise that a bill had been presented to the House of Representatives which contained a statutory change, a new regulation for the management of the mints. Of this wholly innocent bill the Senate so amended one section as to accomplish the demonetization of the silver dollar and the substitution of the gold standard, *and this change escaped the observation of the members entirely on its return to the House of Representatives*, so that certain members were very much astonished when the charge of having demonetized the silver dollar was raised against them. Moreover, even the President of the United States in signing the bill had no intimation of its present contents, as the following account of the proceeding shows. Let us then hear Mr. Kelley in his speech of May 10, 1879:

---

[14] W. D. Kelley—The Silver Question.

"The bill—and I wish gentlemen to know what that bill was: it was a bill to reorganize the mints; not to revise the coin money of the country, but to reorganize the mints—and it was passed without allusion in debate to the question of the retention or abandonment of the standard silver dollar. The then Speaker, now a distinguished member of the Senate, and Hon. Mr. Voorhees, of Indiana, who is also a member of that body, were then members of this House; and during the last Congress this colloquy occurred between them. It was denied, I think, by Mr. Voorhees, that members of the House knew that the bill proposed to demonetize the silver dollar, and to sustain his view he said to the ex-Speaker, "Did you know it, sir?" "No," said Senator Blaine; "did you?" "No," replied Senator Voorhees. "*I was chairman of the committee that reported the original bill, and I aver on my honor that I did not know the fact that it proposed to drop the standard dollar*, and did not learn that it had done it for eighteen months after the passage of the substitute offered by Mr. Hooper, when I disputed the fact and was shown the law. The distinguished gentleman from Ohio (Mr. Garfield,) who now leads this side of the House, was then as now an attentive, and already a distinguished member of the House; yet when in joint debate before the people of Ohio (in October, 1877,) the question arose as to who was responsible for its demonetization, he frankly said that he did not know that such a provision was in the bill when it passed the House.

* * * * * * *

"Nor did the President who signed the bill know that it abolished legal tender standard silver dollars, for in his letter to Mr. Cowdrey of October 6, 1873, (cited by the gentleman from Ohio, Mr. Warner,) he said: 'Silver will gradually take the place of this currency (namely, of greenbacks) and further, will become the standard of values, which will be hoarded in a small way. I estimate that this will consume from $200,000,000 to $300,000,000 in time, of this species of our circulating medium. * * * I confess to a desire to see a limited hoarding of money. It insures a firm foundation in time of need. *But I want to see the hoarding of something that has a standard value the world over. Silver has this.'*

"Gentlemen will observe that this letter was written several months after the writer's signature had given the force and effect of law to the bill which prohibited the further minting of the kind of coins he expected the people to hoard.

"Let me, in passing, say that the statement of Mr. McNeely, of Illinois, which has been so often cited as though it discredited my word, that the bill had been read line by line and paragraph by paragraph in the committee, has my endorsement. It is true as to the original bill. Hence it was that I admitted, as I so long and frequently did, that I had reported a bill which demonetized the standard dollar, and that I continued to believe that that provision had escaped my notice, until my friend who sits before me, the gentleman from Illinois (Mr. Fort) investigated the subject from the egg up and brought me the bill I had reported, retaining the standard dollar, together with a Senate bill which had been substituted for it, which changed a section and omitted it."

We have here a pretty piece of American parliamentary history. Quietly, without a word being said about it in the debates or the press, an unimportant bill relating to the management of the mints is made use of to put the gold standard in the place of the prevailing silver standard, and this entire change is overlooked by the House of Representatives; and the bill on its return from the Senate is adopted *en bloc* without any opposition, and what is more, approved by the President of the United States, without his having an intimation of its proper contents.

That similar occurrences are possible in our parliamentary bodies, when the general interest is absorbed by other matters, as was probably the case there, can not perhaps be absolutely denied, though it is to be hoped that such experiences may be spared us. In order to understand and excuse this event, however, it must be remembered:

1. That in a country where only paper money is to be seen, the standard question is habitually regarded as a very subordinate one.

2. That though America legally possessed the silver dollar as the basis of her coinage, the issue in later years of the gold dollar, with a relation of value between silver and gold differing from that of other countries, had had the effect of driving the silver dollars, having too high coinage value, out of the country, so that prior to the war of secession, the circulation of gold predominated.[15]

Under these circumstances, it was possible even for those few members of Congress who knew something of the change in the law to regard it as immaterial. Mr. Kelley, to-day one of the best read and best informed advocates of the double standard, frankly confesses in the further course of his speech, that at that time he had as yet no idea of the importance of the standard question, even if he had perceived the alteration in the law; and he adds that he moreover does not consider it discreditable that on the part of the government and of other parties participating in the change, all should have failed to bring it to his knowledge; a remark which seems to indicate that he shared the opinion of Carey openly expressed, that the surprise about the gold standard was the work of those interested circles which, under the name of the "New York gold-ring," have acquired a rather unenviable notoriety.[16]

In the near relationship of the English and American people in the intimate connection in which the American civilization stands with the English, in the close and extensive commercial relations between the two nations, it was in the nature of things that the American financial administration should stand in a great degree under the influence of the observed financial practice of England, and under the power of the doctrines prevailing there.

---

[15] H. C. Carey—Monetary Independence. Phila., 1875, p. 2.

[16] H. C. Carey—Resumption, When and How will it End? Phila., 1877, p. 2.

In England since 1816 the watchword has been reduction of the note-circulation, and the Americans, true to their duty, made the contraction of the currency the next war-cry.[17]

In England at that time a definite date had been provided for the resumption of specie payments; in 1875 the law-makers of the American Union fixed the resumption of specie payments for the first of January, 1879.[18]

In England, at that time in an analogous situation, the gold standard had been introduced: the Americans would probably have thought they were committing an economic sin of omission if they had neglected to follow the example of England in this respect also.

It is in this light that American events appear to me; and this mode of viewing them enables me to comprehend many things otherwise unintelligible concerning them.

For the reduction of the circulation, that is, the contraction of the non-interest-bearing national paper money (the greenbacks) which Congress had almost unanimously resolved upon in 1865—"of all the parliamentary votes," says Mr. Kelley on one occasion, "the one which I most regret"—involved difficulties in its practical prosecution which were not to be overcome.

Four hundred and thirty million dollars in greenbacks was the total amount in circulation with which they had to deal,[19] an amount which, considering the immeasurable resources of the country, and compared, for example, with the forcible issue of the uncovered notes of exchange of France in the year 1870, does not appear to us to-day at all disquieting. But these four hundred and thirty millions constituted the only current circulating medium of the country; and the complicated operations of the government, which consisted chiefly in the issue of interest-bearing bonds of the Treasury (principal and interest redeemable in coin), with the proceeds of which the greenbacks were taken up and canceled, were by no means sufficient to supply with cash the deficiencies arising in the circulation, as had been hoped, but on the contrary produced the following less desirable results:

---

[17] The Report of the Secretary of the Treasury, Mr. Hugh McCulloch, December 4, 1865, says literally, that the work of retiring the notes which have been issued should be commenced without delay, and carefully and persistently continued *until all are retired.*

[18] Report of Secretary Bristow, December 6, 1875.

[19] W. D. Kelley—Speech of February 14, 1879.

1. Perceptible lack of current circulating medium, from whence the so-called national banks, by increasing their issues, derived the chief advantage.[20]
2. Increase of the interest on the foreign debt, payable in coin, from 30 million dollars (1865) to 120 million dollars (1877[21].)
3. Permanent gold speculation in the principal trade centers, such as had never before been heard of, and which grew more active after the adoption of the gold standard.[22]
4. A constantly increasing distrust on the part of the people of the entire financial condition of the country, which naturally brought on a crisis whose severity, though not to be compared with that which visited England in 1816, under similar experiments, nevertheless entailed incalculable losses upon the country.[23]

Under these conditions the protective system which alone seemed adapted to put a check upon the complete cessation of American production, and to keep the metallic money in the country was fortified.

After endlessly repeated experiments, which had only resulted in substituting for about one hundred million dollars of the greenbacks, interest-bearing paper notes (treasury bonds) for whose redemption no legal obligation exists—an exchange, by the way, the advantages of which are of a very doubtful nature—they gave up the further contraction of the currency in view of the murmurs of the people becoming ever more audible; and as soon as they had decided to admit the greenbacks, all the time circulating to the gross amount of three hundred and forty million dollars, as a legal tender for the payment of custom duties, and to set aside the gold standard, through the much assailed Bland silver-bill, confidence and cash returned to the country, so that the "rag-baby" (the greenback) reached par value with coin.[24]

---

[20] H. C. Carey—Resumption, p. 6.

[21] Same Author—Appreciation, p. 6, et seq.

[22] H. C. Carey—Resumption, p. 2.

[23] W. D. Kelley—Speech of February 14, 1879.

After a checkered series of financial experiments whose pernicious effects, as their opponents declared, did more injury to the national prosperity than the war of secession itself, not one single act of the original programme could really be carried out.

To-day it is very clearly perceived in America that if they had had the wisdom and courage to allow the four hundred and thirty millions of greenbacks to circulate for the time being undisturbed, they would have come earlier into a position for securing the return of a coin circulation. But for the unwholesome shocks which the forcible contraction of the currency gave to the entire economic life of the country, they would have been able long before to commence a gradual withdrawal of the paper circulation, so far as this exceeded a proper amount. A bitter and severe experience has taught the nation that the interest of the capital represented by the national banks, which were loudest in assaults upon the greenbacks, is not always identical with the general interests of the people, and that heavy sacrifices would have been spared the country if it had followed the counsels of the venerable Carey, in the question of the forced contraction of the currency, in the question of the resumption of specie payments, and in that of the gold standard more promptly than it has done.

---

[24] Loc. cit.

IV.

THE MONETARY POLICY OF FRANCE.

France had, by the war of 1870, incurred a burden of national debt which far exceeded that of the United States. It had been compelled to permit the issue of unsecured notes, which up to that time had amounted to about twelve hundred million francs, and was increased at the very commencement of the war by about eight hundred million francs, and in December, 1870, received a second increase of about three hundred million francs. All these bank notes were given the quality of legal tender. Moreover, on the restoration of peace, the obligation to pay the five milliard war indemnity to the victorious German Empire within a few years, rested upon the country. And yet the financial administration after the conclusion of peace, had the courage to still further increase the issue of notes to the amount of three hundred million francs (1871).[25]

After the experience of England and the United States, according to the financial philosophy of the school long represented almost exclusively in Germany, and governing entirely her financial administration, an entirely clear course was marked out for French finances in this situation of affairs.

1. Paper money drives coin out of the country—consequently a forcible reduction (contraction) of the issue of notes must precede all measures, because otherwise coin could not circulate.

2. The restoration of the public credit rests on the legal resumption of specie payments at a definite time—consequently it would have been necessary to fix such a time immediately.

---

[25] H. C. Carey—Resumption and Appreciation.

3. The double standard is an injurious arrangement, scientifically condemned—therefore it ought to have yielded to the single gold standard, according to the conclusion of the gold fanatics, mentioned by Lord Beaconsfield. And if France was hindered by the Latin Coinage Convention from advancing independently in the standard question, she was at least under obligations to make the strongest exertions to win it over to the gold standard.

France was, however, disrespectful enough to do the opposite of all that the infallible doctrine prescribed.

She did not think of forcibly reducing the issue of bank notes, but left it to the foresight and intelligence of the managers of the bank to bring about a gradual strengthening of the metallic money for the redemption of the notes.

Instead of fixing a date for the resumption of specie payments, she merely made an arrangement with the bank management according to which as soon as the part of the French national debt assumed by the bank should be paid back to it, the forcible legal tender character of the notes should cease.

Instead of being won over to the gold standard, she quietly adhered to the double standard.

And notwithstanding that France heightened all this with a commercial and customs policy which, according to the view of our theorists, must be destructive to all economic progress, the results of this French financial policy have been as follows:

1. The immediate reappearance of coin in circulation, so that the bank management easily succeeded in accumulating gold and silver to cover the notes in amounts which, for example, soon far exceeded the metallic stores of the German Imperial bank, and then, without hindrance to trade, it succeeded in again gradually contracting the note circulation.

2. The par exchange of bank notes when their legal tender character was removed.

3. Increasing prosperity of the country, which is so little

affected by the great commercial and financial crisis visiting the whole world, that even the collapse of the recent gigantic swindling establishments of Philippart made scarcely an impression upon the public credit.

The contrast between the events in France and the operations which the United States permitted under similar antecedent conditions, is, as will be confessed, a glaring one.

In the comparison which involuntarily obtrudes itself, it may be observed that France, through the monopoly of the Bank of France, was placed in a position to take refuge in the emission of bank notes; while the United States, without any concentrated banking administration, was obliged to resort to the issue of non-interest-bearing national paper money, which in itself perhaps presented too great difficulties for its depreciation to be avoided, merely by the restoration of confidence in the productive forces of the country and in the skillful management of its finances, while the bank notes are also protected from distrust by the strengthening of the metallic reserve. But just here the fact should not be overlooked that the creation of this metallic reserve, as well as the reappearance of coin in trade, was essentially facilitated by the fact that the double standard country France allowed both the noble metals to flow in unimpeded, while America forced the rich products of her own silver mines to seek employment abroad, and thereby interposed a barrier to the increase of metallic circulation in the country, while at the same time it attempted to forcibly reduce the circulation of greenbacks.

It is further to be borne in mind that both countries, France as well as the United States, had the protective system; but that in France this system was a prevailing tradition which no party dared disturb, while the practical realizations of Carey's doctrines in the United States possessed only a short history, were attacked by powerful parties, and were said to have barely demonstrated their usefulness in enhancing the national welfare.

In his opinion on the causes of the changed relation of value between gold and silver, which Carey gave before the committee of the American Congress, the great American—who in the evening of his life had the satisfaction of seeing his politico-economic doctrines triumphantly called into the practical policy of his country—expressed himself as follows:

"The standard coin of France has throughout been different from that of Britain, having been the silver five-franc piece. As a consequence of this difference she has not only passed unhurt through the ever-recurring crises of Britain, but has, on at least two very important occasions, through the Bank of France, been enabled to render assistance of the highest importance to the Bank of England. Had the two countries been using gold exclusively, the drain thereof from France to England would have effectually prevented such assistance from being rendered.

* * * * * * *

"Alone among the nations, France has throughout the whole century pertinaciously adhered to that protective system which has for its object that of bringing consumers and producers together, with constant reduction in the cost of exchange and transportation. Alone, she has maintained the double standard, gold and silver being alike legal tender in discharge of money obligations. Alone, she has in that brief period so succeeded in giving to her people perfect confidence in the circulating note, that gold, silver, and paper, to a larger amount than can be found in any other European State, pass freely from hand to hand at par, each with every other. Alone, she stands now as bearing 'a charmed life,' and prosperous to an extent that till now she has never known; poverty and distress, waste of labor and capital, and fears for the future, becoming more and more the characteristics of those nations which, having set up for themselves a golden image, now call upon the people of the world at large to fall upon their knees and worship it."[26]

---

[26] H. C. Carey.—Appreciation, pp. 13, 16.

V.

THE INTRODUCTION OF THE GOLD STANDARD INTO THE GERMAN EMPIRE.

The introduction of the gold standard in England, and later in the United States, took place at a period in which coin had almost entirely disappeared from circulation; the task of naturalizing it in Germany seemed the easier as the coin, then plentifully circulating in that country, in conjunction with the large cash payments of the French contributions, offered, by exchanging the large bulk of silver coin and bullion for gold, more than sufficient means to insure for the country at once the metallic basis of the new standard.

England had proudly proclaimed that the richest country must have the most precious metal for its standard; the United States, who had just fought a giant battle for their national existence, the war of secession, to a victorious close, with the abundant resources of their immense territory in virgin soil and mineral treasure, with their surprising increase in population and prosperity, might well feel justified in making the same claim; and it was pardonable if, after the glorious resurrection of the German Empire, the dazzling magnitude of the French tribute produced a similar sentiment with us.

These facts were strengthened by the undisputed authority still enjoyed by the tenets of the Manchester school of financial and commercial policy. If America, accepting the same maxims, tried to copy the proceedings of the English policy of finance and coinage, it was but natural for us to make the same attempt. Ingeniously discussed by able speakers in parliamentary bodies, in the press, and in clubs, these theories were sure of popularity from the beginning. Possibly only a few persons had a fixed conception of their bearing if applied to real practice. By far the greater majority of the practical politicians had to vote on questions for the solution of which the experiences in their native country—in consequence of its previous political and monetary confusion and incongruities—could afford no key and the stages of whose development in other civilized countries were, as I confidently affirm, not sufficiently known in their details and premises.

The already cited speech of Lord Beaconsfield, with its warnings against the dangers of the demonetization of silver, produced in Germany, as late as 1873, hardly any impression. The fact that a number of smaller states would be forced to follow the example of Germany; that the embarrassments of countries having depreciated standards, as Austria and Russia, would be increased by our proceeding; that France would be compelled to stop its coinage of silver; all this was then considered as unimportant, and even as desirable. Even the question whether a general depreciation of silver would follow, appeared important only in so far as slower sales of silver would cause greater losses to Germany.

German scientists are to-day laboring to prove, and to attest with statistical tables,[27] that the German sales of silver did not perceptibly affect the falling of the price of silver; a useless piece of labor, as the depreciation of silver is not caused by the sale of the stock of silver which Germany did or could place on the market, and which is but a small portion of the sum total of the silver in the world, but by the following agencies:

1. The active consumption of silver for coinage by Germany, France, and the lesser states which have adopted the gold standard, has ceased with the stoppage of their silver coinage.

2. Even countries with depreciated standards, forced, as Austria and Russia have recently been, to contract loans bearing-gold interest, must resist a more active influx of silver.

---

[27] Dr. Edwin Nasse—Die Demonetisirung des Silbers. Bonn 1876.
Dr. Soetbeer—Gott gel. Anzeiger, 1879.

3. Above all, the danger which threatens the silver market that France also may be compelled to adopt the gold standard, and to throw its large supply of silver on the already overstocked market.

These are the plain causes which must effect an irresistible depreciation of silver, even if India, through better crops and other favorable circumstances, should be able to increase its ability for silver consumption to the extent of former rates.

If we observe that the commencement of the great crisis in the commerce and trade of the world coincides precisely with the demonetization of silver in North America and Germany, we shall easily perceive the connection of causes between that fact and these phenomena, and see that the mischievous results of the demonetization of silver must, from year to year, become more apparent.

The double standard of France, rich in metallic money, had in previous years preserved the balance in the fluctuating demand for gold or silver. If the demand for one kind increased, the other would immediately fill the gap caused by its withdrawal; to-day the circulation would be chiefly in Napoleons, to-morrow exclusively in five-franc pieces. After the gold discoveries of California the influx of gold increased so alarmingly that Michel Chevalier declared that gold must be demonetized—and not long thereafter the chances were entirely reversed. But whether gold or silver had the prestige, France possessed at all times a larger stock of metallic money than any other country. For these reasons did the government look with equiminity upon these monetary fluctuations, and, as mediator between the gold and silver countries, rendered valuable and beneficent service to the universal commerce of the world.[28]

France was forced from this position, and had to suspend her own silver coinage, as soon as Germany, followed by a number of lesser, and in their financial policy dependent states, adopted the gold standard; because with its widely spread international commercial interests, it could not afford the risk of finding itself dependent on the metal which other countries repudiated, and it did not feel itself strong enough to resist the depreciation of silver solely by its domestic consumption thereof.

---

[28] H. Cernuschi—Bimétallisme u. Diplomatic Monétaire.

Certain authors assert that this constant and irresistible depreciation of silver, the result of the conditions produced by Germany's monetary policy, could be stopped—

1. By increased consumption in India, China, or the barbaric nations of Central Africa and Asia.
2. By increased coinage of fractional silver money.
3. By a greater use of silver for ornaments and plate.
4. By lesser production of the silver mines.

These opinions are all alike chimerical. The silver consumption of Asia and Africa will not increase with the depreciation of silver, but will diminish as the example of China and other countries already shows;[29] the application of silver to domestic purposes, so far as statistics show, has not increased with its depreciation;[30] the demand for fractional currency is comparatively so small that it is not worthy of consideration; a cessation of silver production to any extent can not be expected, since by far the larger part of silver is found in conjunction with other metals, as gold, copper, lead, etc., and as the cost of production is steadily lessened by mechanical or chemical improvements.[31]

The adoption of the gold standard by the German Empire was the signal for the immense commercial collapse the deplorable effects of which have not yet been effaced. The like action by the North American Union by later legislation, would have remained isolated, and could hardly have produced similar results. There was in that country no large stock of silver which, like that of Germany, had to be placed on the market; there the greenbacks—the national paper money—still formed the basis of circulation. If, under these circumstances, the United States alone had adopted the gold standard, and Germany retained the silver standard with subsidiary gold coinage, the United States would probably have experienced difficulties and embarrassments, but the acute and general depreciation of silver, which resulted from the change in the German standard, would never have occurred.

---

[29] E. Seyd, Decline of Prosperity, p. 49.

[30] *Ibid*, page 12.

[31] Suss—Die Zukunft des Goldes, Wien 1877.

The introduction of the gold standard in Germany caused no decrease in the circulation of metallic money, as not only the withdrawn German silver and gold coins, but also the not inconsiderable amount of foreign coin circulating in Germany, (Napoleons, ten-guldens, five francs, Austrian thalers and guldens), were amply replaced; indeed, the minute calculations by Soetbeer suggest that, including the changes in note circulation caused by the German bank-law, the amount of circulating medium has been increased. This, according to the scholastic theory should have resulted in advanced prices of all commodities, and in an export of money. But the higher gold prices, in conjunction with the introduction of free-trade practices in our commercial policy, produced the opposite result, viz: a preceptibly increased purchasing power of money, and a decrease in the prices of all commodities. The wild chase after gold in which all countries immediately joined, enhanced the price of gold, and thus caused an unprecedented depreciation of the value of land and commodities. The Imperial Board was obliged to exercise all circumspection and caution to secure to the country its share of gold, by a timely increase in the rate of discount—not to the advantage of production.

Who profited by this revolution in prices, the immediate result of the rapidly increasing purchasing power and the unparalleled scarcity of gold? Only the owners of bonds, mortgages, rents and annuities. And who lost? All other than these. Industry and agriculture alike declined, groaning under the mercilessly enforced free trade experiments; all estates depreciated in the ratio of the increase in the value and purchasing power of gold; production was paralyzed; wages were reduced; misery and involuntary idleness spread over the country.

Dear money—cheap goods! Germany now learned practically the value of this favorite maxim of that school which conceived the lowest possible price of commodities as the chief aim of all sound national economy. But since she has called an emphatic halt to the enforcement of free trade doctrines, I doubt not that she will, in her monetary policy, learn to appreciate the truth of Carey's warning to his countrymen against the contraction of the currency, the forced resumption of specie payment, and the gold-standard. Abraham Lincoln described the government of the United States as one "Of the people, by the people, and for the people." But his successors have perverted it to one "Of the money-lenders, by the money-lenders, and for the money-lenders."[32]

---

[32] Carey—Resumption.

VI.

THE PROPHECIES OF MESSRS. SEYD AND WOLOWSKI.

Count Wolowski and Mr. Seyd published the following theses in 1868, the year in which the agitation for the introduction of the gold standard began in Paris :

"The demonetization of silver," they predicted, "by any great civilized nation, must produce the following results :

"1. The international trade of the world will instantly show signs of decline, to the special injury of countries having the largest international trade.

"2. The spirit of public enterprise, in railroads and other useful undertakings, will be immediately checked, and consequently the general progress of civilization will suffer.

"3. The decline in price will compel countries internationally indebted to depart more and more from the principles of free trade toward a policy of protection.

"4. The nations of the world will be divided into two groups—the one trading in gold, the other in silver—and this condition will render commerce between them unsafe and precarious.

"5. Throughout the world a decline in prices will follow, injurious alike to owners of real property and the laboring classes, and advantageous only—and unjustly so—to the holders of state bonds and similar securities.

"6. One of the principal difficulties in this period of general depression will be that the people will look-for its causes in all possible directions. The advocates of the gold-standard will offer all possible groundless and fantastic excuses or reasons of a secondary nature only, and the real cause, the demonetization of silver, will be overlooked until the perspicuity of the phenomena and dire necessity shall force thinking men to point it out."[33]

Few prophets can boast of such literal verification of their predictions. But if we hear Mr. Seyd, in a public lecture given last year before the British Society of Arts, explaining the reasons which influenced Mr. Wolowski and himself, in 1868, to proclaim these predictions, we must confess that everything there said by him on the importance of the commercial balance and its relations to the movement of the precious metals, is in direct contradiction to the customary maxims of the Manchester school.

---

[33] E. Seyd—Decline of Prosperity and Depression of Trade.

"The extent of the international trade," says Mr. Seyd,[34] "generally depends upon the means available to liquidate balances. Hitherto both gold and silver, in nearly equal proportions, had served this purpose. But since Germany disturbed the balance by the adoption of the gold-standard, silver gradually ceased to be an effective medium of exchange between civilized nations, and trade has had to be confined within limits in which it could be regulated by gold. The recognition of this reciprocity between the sum total of the possible trade and the amount of cash available to liquidate the balance—which is denied by the theory of the Manchester school—a knowledge based as much on scientific principles as on the common-sense and experience of every business man, led us to prophesy the decline of international trade, which has since so unmistakably taken place."

A striking proof of this is furnished by the statistics of British commerce, which the same author adduces in "The Decline of Prosperity," pps. 48, 49 and 50, showing that, since the demonetization of silver in 1872, the trade with single standard or gold using nations increased from 52 to $56\frac{8}{10}$ million pounds sterling, while during the same period, the trade with silver using nations fell from $203\frac{8}{10}$ to $135\frac{9}{10}$ million pounds sterling.

"If," says Mr. Seyd, in one of his other writings, "communication is maintained by say 10,000 freight wagons, the supply would be materially interrupted if half of these wagons were suddenly captured. This applies with equal force to metallic money. If a given amount has hitherto been found necessary to carry on the international trade, the latter must suffer if half of this money—silver—by demonetization is prevented from participating in the trade movement."[35]

---

[34] E. Seyd—Decline of Prosperity, p. 23.

The views of Messrs. Seyd and Wolowski were also held by the distinguished statesman who is now the head of the British Cabinet—Lord Beaconsfield—who in 1873 foresaw the coming and the obstinacy of the recent great commercial crisis, and in his above cited speech[36] said:

"I attribute the great monetary disturbance that has occurred, and is now to a certain degree acting very injuriously to trade —I attribute it to the great changes which the governments in Europe are making with reference to their standards of value."

And again:

"It is quite evident we must prepare ourselves for great convulsions in the money market, not occasioned by speculation or any old cause, as has been alleged, but by a new cause with which we are not sufficiently acquainted, and the consequences of which are very embarrassing."

And finally:

"Convulsions must come, and no one will be able to form an adequate idea of the monetary derangements of the times in which he lives, if he omits from his consideration the important subject to which I have called your attention."

Even in England the agitation for the double standard has steadily increased of late. A number of important Chambers of Commerce, Liverpool at their head, have pronounced for the abandonment of the single gold standard, and recognized authorities on finance, such as Mr. Hucks Gibbs, late Director of the English Bank, have expressed similar views.

The United States have already initiated legislative steps toward the reëstablishment of the double standard.

Under these circumstances, is it not time for us to consider seriously the means so plainly indicated for the future monetary policy of the German Empire?

---

[35] Seyd—Depression of Trade.

[36] W. D. Kelley—The Silver Question; and E. Seyd, Decline of Pros-

VII.

THE ECONOMIC IMPORTANCE OF METALLIC MONEY.—DEMONETIZATION OF SILVER AND ITS EFFECTS.—THE UNIVERSAL ADOPTION OF THE GOLD STANDARD.

The fallacies of the mercantile systems which prevailed during the last century in nearly every country, originated in the unfounded and exaggerated fears caused by transient and accidental deficits in trade; and in the over-estimation of the importance of a stock of precious metals. The fundamental error of the theories of modern free trade and gold standard is due to the entire disregard of permanent trade deficit, and the failure to appreciate the influence, so immense and so important to the progress of all civilization, of the undisturbed influx of the precious metals into trade.[37] The demoniac fascination which the precious metals exercise over human passions has engaged the human mind from time immemorial. Innumerable fables and allegories, poems and historical traditions (the legend of Midas and others, and the golden calf of the Israelites) attest this; and philosophers have, from the earliest time, attempted to construct society hypothetically without metallic money, and thus to banish all vice and all wrong. But history proves indisputably that every increased influx of the precious metals into human intercourse—by new discoveries or the increased production of the mines—has always been accompanied by a decided amelioration of human necessities—by the increase and diffusion of every means for a more humane existence of the masses—which we call the progress of civilization. The great prosperity of Europe which preceded the age of the Reformation followed in the wake of the great increase in precious metals caused by the discovery of America; the immense development of modern trade by railroads, steamships and telegraphs, followed the tide of gold and silver with which California and Australia supplied the world.

---

[37] Suss.—"Future of Gold." Carey.—"Social Science," "Appreciation in the Price of Gold," and "Resumption."

The Utopian idea of the friends of the gold standard that all countries will choose gold as their sole monetary basis, an idea, the realization of which, according to Mr. Bamberger, is only a question of time,[38] would, by the proscription of silver, limit the influx of precious metals to gold, or about one-half the present rate, and thereby would evidently retard the advances of civilization, so far as these depend upon the use in trade of the precious metals. But the supposition of the possibility of such development is based on two erroneous hypotheses: First, that the natural and traditional conditions under which the use in trade of the precious metals has developed for centuries, and which has elevated us to our present state of civilization, could be permanently and finally changed by the arbitrary legislation of single countries. Next, that the functions of metallic money in modern trade could in a great measure be discharged by the various paper substitutes (greenbacks, bank notes, drafts, checks, etc.), and that thereby metallic money could be made more or less unnecessary.

As to the first supposition, the present conspicuous and general reaction against the gold standard proves that the fantastic dreams of the gold theorists will presumably end in a great disillusion, namely, the remonetization of silver. The other hypothesis—the application of paper substitutes for metallic money—rests upon a misapprehension of the fact that all such substitutes may temporarily discharge some of the functions of metallic money, such as furnishing a measure of value and price, and serving as mediums of exchange, settlement, conveyance and deposit,[39] but that none of these combines in itself the ability to discharge all these functions so completely as metallic money—and that, besides, these substitutes pre-suppose a basis of metallic money.

---

[38] Ludwig Bamberger—"Reichsgold," p. 131.

This disregard of the importance of metallic money has produced the most heterogeneous phenomena—on it are based the theories of the American inflationists, who not only would maintain the existing stock of paper money, but propose to increase it by new emissions of non-interest bearing state paper; and also the other theory, that metallic money always represents a capital invested without interest, and that therefore it is the duty of the government to furnish trade with the minimum of indispensable metallic money, and thus to incite trade to seek other mediums.

The inflation doctrines were naturally tempting in the United States, a country which, little affected by the complications of European countries, does not need to guard the preservation of its national credit with the same zeal and solicitude. But however plausible it may have appeared that such paper money does not emigrate and is therefore preserved to the home trade—that its procurement entails no sacrifice in either capital or interest, that its eventual depreciation in international commerce does not injure home production, but on the contrary affords effectual protection—they met with no sympathy from the sound commercial sense of the Americans, and served only to paralyze, in some measure the endeavor of the national banks to replace greenbacks with their bank notes, and so to bind the general trade to the interests of the private banks.

On the other hand the idea that a country should have metallic money just sufficient for trade, since a surplus would be a waste of interest has in England resulted in combining into a carefully planned system all the mediums which could replace metallic money in settling and balancing (checks and drafts, endorsements, exchanges and clearing houses), while France steadily pursues the opposite policy of basing trade principally on a free circulation of metallic money.[40]

---

[39] K. Knies—"Gold and Credit." I. 1873.

The pretended saving of interest of the English system is, in my opinion, only apparent and illusory, as the costliness of all the above mentioned artificial means of trade, by which thousands not only procure a living, but amass fortunes, is likely to more than offset the saving of interest on a lesser circulation of metal. If we consider further that in the whole English system of settlement, one form of credit or the other is always uncertain and at the time of a general convulsion of credit depreciates, we shall naturally conclude that one wheel or the other of this complicated machinery must stop oftener than will the simpler methods of balancing and settling as practiced by the French, and that all trade crises are generally of a more malignant and contagious character in England than in France.

But even if all countries should adopt this system of reducing their stock of metals absolutely to the minimum, it remains very doubtful if, with a more general adoption of the gold standard, the total production of gold would be sufficient to cover absolute necessities. The rise, beyond all possible calculations, in the price of gold which followed the establishment of the gold standard in Germany, and which would probably repeat itself in an increased ratio should France also adopt the gold standard, seems to indicate that the demand for, but not the supply of gold is capable of a considerable increase. A prominent geologist, Mr. Süss, of Vienna, has in his admirable treatise, "The Future of Gold," undertaken to demonstrate that all historical experiences and geological calculations indicate that the present supply and the prospective production of gold can never be sufficient to meet the demands of a universal gold standard.

Whoever examines the interesting data furnished by Mr.

---

[40] Carey—"Resumption," "Monetary Independence, and "Appreciation in the Price of Gold."

Süss, of the immense sums which are annually withdrawn from trade for gilding purposes for instance, and follows his historical proof of the rapid exhaustion of all known gold sources, cannot fail to see that here a calm, objective investigator points out dangers of the gold standard which, with the undoubted influences on civilization exercised by the use in trade of the precious metals,must threaten civilization itself.

Some have endeavored[41] to disarm these fears and doubts by pointing: 1. To recent important gold discoveries in Australasia. 2. To the probability of the discovery of new gold beds in the unexplored regions of Central Asia and Central Africa; and, principally, 3. To the unexpected discovery of a great expansion of the gold region of Western North America. But if we observe that a not inconsiderable proportion of the advocates of the gold standard, who formerly acknowledged absolutely no difficulty in the general establishment of the gold standard, in Germany are to-day clinging anxiously to the hope that the return of the United States to the double standard will allow us to effect the gold standard—while in England the hope is expressed that Germany will suspend the gold standard and thereby insure its preservation in England; we may be permitted to infer that the doubts of Mr. Süss are more important and substantial than his opponents were at first disposed to acknowledge.

"If," said Mr. Goschen, "all states should resolve on the adoption of a gold standard, the question arose, would there be sufficient gold for the purpose without a tremendous crisis? There would be a fear, on the one hand, of a depreciation of silver; and on the other, of a rise in the value of gold, and a corresponding fall in the prices of all commodities. Again, there was a further important question. Italy, Austria, and Russia, whenever they resumed specie payments would require metal, and if all other states went in the direction of a gold standard, these countries too would be forced to use gold. Resumption on their part would be facilitated by the maintenance of silver as a part of the Legal Tender of the world. The American proposal for a universal double standard seemed impossible of realization, but the theory of a universal gold standard was equally Utopian, and, indeed, involved a false Utopia. It was better for the world at large that the two metals should continue in circulation than that one should be universally substituted for the other."[42]

---

[41] "Edinburgh Review." "New Golden Age," January, 1879.

Mr. Goschen, who as has been shown, is known to be one of the most widely recognized authorities on the question under consideration in England, declared at the Conference, that it is of the greatest importance to England to preserve silver as a standard in other countries even if England retains the gold standard. He does not go so far as Mr. Seyd, who logically demands from England the acceptance of the double standard, but acknowledges that the influx of both metals into international trade should continue unchecked; that it is to the interest of all nations not to lessen the metallic basis of this trade, and that the demonetization of silver by Germany has caused a depreciation of this metal followed by results injurious to the whole world.

It may be said that Mr. Goschen's position lacks logic, but it still proves that the failure to appreciate the importance of maintaining the volume of metallic money, which was the main cause of the demonetization of silver has already been abandoned by the leading financiers of England.

---

[42] "International Monetary Conference." Washington, 1879. p. 52.

VIII.

THE PRINCIPAL OBJECTIONS TO THE DOUBLE STANDARD, AND ONE GREAT OBJECTION TO THE GOLD STANDARD.

The most prominent objection to the double standard will always be that the variability of the relative value of the two metals produces fluctuations in the prices of commodities, and a consequent disturbance of trade. That as we should not measure the height of a river with two different water-gauges, we must have either gold or silver as the only standard, namely as a measure of the value of commodities. This objection originates in an undue emphasizing of the function of money as a measure of value. Thus the ruinous effects of the double standard (to which Mr. Bamberger devotes a whole chapter in his 'Imperial Money') are ascribed principally to the discount which always rests on gold or silver, and which is said to have deprived France, for instance, sometimes of silver, sometimes of gold coin, so that the depreciated metal always remained in, and the appreciated one emigrated from the country.

The Parisian chief of the house of Rothschild is reported to have said at the time of the establishment of the gold standard in Germany, " The Germans appear to me like a man who cuts off a sound arm because he imagines that he will be stronger with one arm than with two." He had evidently observed that France needed both arms—silver and gold—as much during and after the war as before it, and indeed the free influx of both metals into trade appears to have helped to give that strength and elasticity to the French finances which enabled that country not only to overcome with ease the hardships of an unhappy war and to pay a contribution of five milliards to Germany, but also to develop the prosperity of the people in an unprecedented degree. If we admit on the one hand that a discount between gold and silver coin will affect the fluctuations of the prices of commodities, and will, therefore, disturb trade, we must concede, on the other, that this discount, if the double standard as proposed by America was generally accepted, must be reduced to a minimum, if it did not, as Mr. Cernuschi supposes, disappear altogether.[43]

And those advocates of the gold standard[44] who admit that the gold standard has increased and intensified the fluctuations in the relative value of gold and silver, must concede that, so far as international trade with countries having the silver standard is concerned (the whole of Africa, Asia, Mexico, Peru, Chili, etc.) the situation has not been improved but rather impaired by the gold standard.

The advocates of the gold standard further argue that the exclusion of silver prevents the precipitate advance in the prices of all necessaries which would result from an unchecked influx of both metals.[45] Born of a theory which we deem erroneous, —that the greatest possible cheapness of all necessaries must be the ideal aim of every national economy,—this opinion seems to ignore these very important points:

1. That with free coinage of gold and silver, trade will never consume more metal as money than it will be able to digest.

2. That the experiences of modern history show that an increased circulation of metallic money, even though sudden and considerable, has never seriously affected prices, while an inflation by banknotes or paper currency does, under certain conditions, disturb the equilibrium of prices.[46] This result is practi-

---

[43] Cernuschi—" Bimetallisme."

[44] E. Nasse—" Die Demonetisirung des Silbers."

[45] *Ibid.*

[46] Roscher—" Elements of Political Economy." Tooke—" History of Prices."

cally explained by the fact that to-day, as Roscher shows, the whole world is a consumer of the streams of gold and silver, and that this large vessel does not alter its level so easily; and again, because the increased circulation of metallic money has lessened the necessity for all substitutes for money and mediums of credit.

3. That the single gold standard presents the opposite danger, viz., that the need of a country for metallic money, which becomes greater with the increase of its population and prosperity, can not be adequately supplied, as with the expansion of the gold standard the demand for gold, must steadily increase, while the stock of metal, by wear, melting, exportation, its application to industrial uses, etc., will be constantly lessened.[47]

Of all civilized countries, Germany, next to the United States, possesses the least supply of metallic money per capita. Even England, where all the different substitutes for money, as checks, etc., are much more extensively employed, has a larger stock of metallic money in proportion to its population.

The less the supply of metallic money becomes in Germany, the more general will become the English financial system; and the greater the power of the capitalist, the more easily will commercial crises occur when capitalists feel obliged to avoid those operations which a larger volume of money had formerly enabled the people to undertake and complete.

Frequent complaints are made of the steadily increasing practice of long and complicated credits in Germany; and it has been shown with apparent justice that if, for instance, the manufacturer buys his raw material on credit, and sells his product to the wholesale dealer, and he to the retailer, and he to the customer on credit, there must gradually arise so complicated a chain of indebtedness that the soundness of the general mercantile business must be undermined.

---

[47] Süss—" Die Zukunft des Geldes."

It has been pointed out that the stability of French trade is due to the opposite practice of prompt cash payments.

It will, however, be well to consider that the French system is made possible by the much larger circulation of metallic money in that country. Knowing that the oil which keeps the great trade-machinery moving—a comparison used by Hume and Kelley—is allowed us in much less proportion than to France, we cannot be surprised that with us the wheels will sooner creak, and that disturbances must occur from which France is exempt.

Hence what our opponents praise as the beneficent result of the demonetization of silver—viz., the check to the increase of the stock of metallic money—appears to us the ruinous effect of the single gold standard.

And lastly, we may consider the objection that from the earliest times a gradual modification of the relative value of the two metals to the disadvantage of silver can be proven, and that, for this reason, silver is becoming less and less desirable as a standard metal. The fact of a decrease in the value of silver as compared with gold cannot in general be denied, but we must also consider the indefiniteness and unreliability of most data as to their relative value, which we find in older works.

If in modern times the world was surprised by the discovery that in Japan the ratio of gold and silver was four or five to one, instead of fifteen or fifteen and one-half to one, as in other countries, and this surprising phenomenon eventually found its explanation in the fact that a large part of the Japanese gold coins contained only one-third of their weight in gold, we must admit that in olden times many unknown causes may have influenced the reports of the relative value of gold and silver.

We find that while the Greek coinage of gold and silver remained uniform at the rate of twelve to one, ancient Persian inscriptions show their ratio as one to 13.33.[48]

---

[48] E. Seyd—"Decline of Prosperity." p. 83.

The depreciation of silver from the age of the Roman Empire (12 : 1) down to the last two centuries (15.5 : 1) has been so gradual and imperceptible to each succeeding generation, that, even allowing the probability of its continuance, it could for thousands of years afford no serious excuse for excluding silver from coinage, especially since it may be considered an established fact that increased or decreased production of either metal has hardly ever seriously affected their relative value, the opposite view of Mr. Soetbeer has, in my opinion, been finally disposed of by the ample and carefully arranged statistics in Mr. Seyd's "Decline of Prosperity."[49]

In connection with the above stated objections to the double standard, I may be permitted to mention an objection which Mr. Seyd has very properly raised against the gold standard.

He traces the demonetization of silver, to its incipient cause, in the coinage of silver fractional currency of less than its full value, which practice, he says, originated in the times of the "Kipper and Wipper" in Germany. As this deterioration in coinage originally resulted in the use of alloyed silver coins, so the fractional silver coin is an unavoidable concomitant of the gold standard, to carry on the smaller trade of every-day life.[50] But this so-called small daily trade from village to town, and from town to village, this small trade within a narrow area, really, as Carey shows, constitutes the large trade of every civilized country.[51] Its activity and diversity form a sure scale of the civilization of the people, and the sum total of its transactions exceed by far that of any foreign trade. "Is it then," asks Mr. Seyd, "just to force the great mass of the working people to carry on their trade in base pennies? Is it just to force these classes to make their small savings in coins greatly below their face value? Is it not a crying injustice if the wealthier classes, who enjoy the advantages of commerce, credit, etc., can make their savings in gold coins of full value, while the laboring classes, who have none or few of these aids, are restricted to base silver coin?" "If the leaders of the democracy," he continues, "were men of wit enough to understand such subtle questions as these, there would be a popular outcry against such fearful injustice, an injustice which lies at the root of many anomalies in the social condition of these and other classes." [52]

---

[49] Ibid, p. 85.

[50] E. Seyd—"Decline of Prosperity." p. 59.

[51] Carey—"Social Science." Vol. I. p., 280, etseq "Appreciation in the Price of Gold."

The coinage of alloyed fractional currency which is necessitated by the single gold standard to facilitate the falsely so-called *small trade*, yields greater profit to the State than the emission of coins of full value. But this profit is unimportant; the subsidiary coin being legal tender to a limited amount only, and therefore not exportable, trade is therefore able to accept and permanently use only a small portion of the total circulating medium in the form of fractional coin. Thus there was circulated in Germany in 1878, with 1626 million marks of gold coin, only 426 million marks of alloyed silver fractional coin; and I hardly think that the steady use of a larger amount by trade could have been expected, since it does not bear what Mr. Bamberger justly terms the test of a good coin-exportability.

The demand that, in case of a return to the double standard, the limitation of the legal tender of silver coins should be discontinued, seems only fair in the interests of those classes who are restrained to the use of fractional coins.

---

[52] E. Seyd—"Address before British Society of Arts." April, 1878.

IX.

THE PARIS MONETARY CONFERENCE—THE BLAND SILVER BILL—SUSPENSION OF THE SALES OF SILVER BY THE GERMAN EMPIRE.

The ruinous effects of the demonetization of silver had been predicted by Messrs. Wolowski and Seyd, and widely recognized and discussed by prominent men (as Carey, Baird, Kelley, Seyd, Wolowski, Lavaleye, Cernuschi, Hucks Gibbs, Baring, Lord Beaconsfield, Goschen, and Süss) before the international monetary congress convened at Paris in 1878, at the request of the United States, in which Germany refused to participate,

This Congress considered the possibility of the remonetization of silver, and, although its adversaries rejoice over its indefinite result, its proceedings certainly demonstrated that the gravity and importance of the question was everywhere appreciated, and that a large majority of the assembled authorities on finance were unanimous on the following points:

1. That the adoption of the gold standard by the German empire caused a fatal disturbance of the previous equilibrium between gold and silver.

2. That a universal adoption of the gold standard must result in a still greater depreciation of all commodities through an increased revolution in the relations of prices, and consequently in an increased depression of international trade.

The delegates of the United States, France, England, Austria, the Netherlands, Scandinavia, Russia—although its representative was an advocate of the single standard—and Italy, declared unmistakably against a farther extension of the gold standard, which was supported by Belgium and Switzerland only; but the views of the majority differed greatly as to the practical measures necessary to prevent a further depreciation of silver.

The United States had proposed that the countries represented at the conference should engage to effect the free coinage of silver, on the basis of a relative value fixed by treaty.

This proposition failed partly through the non-participation of Germany, partly through the refusal of England to abandon the single gold standard. Mr. Goschen, the delegate of the English government, while admitting that the demonetization of silver caused England many troubles, principally on account of the Indian silver standard, expressed the belief that the existing status in the relative value of the two metals would be maintained if either of the gold standard countries, America or Germany, should return to the double standard, or if France should again permit the free coinage of silver.

France, represented by M. Say, assumed toward the proposal of the United States a position which, while not one of rejection, was rather one of expectation, and maintained the same reserve toward advice to other countries, since she could not accompany it with any authority. By far the majority, the Netherlands, Scandinavia, Austria, Italy, openly avowed their sympathy with the double standard.[53]

To be brief, England expected, as Mr. Cernuschi pointedly remarks, to make a cat's paw of one of the other countries, while France, in view of the non-participation of Germany, could not in my judgment possibly pledge herself to any future monetary policy.

In spite of the apparently fruitless proceedings of the Congress, it has been followed by two events of great importance as opposing the gold standard, viz., Germany temporarily suspended farther sales of silver, and America made the first attempt toward the remonetization of silver in the Bland bill.

The American government, by recommending the suspension of the coinage of silver dollars, and inviting a new International Conference, has confessed that the Bland bill, which restored a limited coinage of silver dollars on a basis, discriminating against silver by about three per cent., and, therefore, conflicting with the French system, was a step, which has not improved, but embarrassed the general situation. Still the energetic proceeding of the United States proves their determination to take a most energetic initiative toward the remonetization of silver.

---

[53] Cernuschi—Diplom. Monétaire; p. 46.

As regards the suspension of the sales of silver by Germany, we must not forget that, although the adoption of the gold standard by the German empire had been decreed by law, it had been by no means effectually executed. Silver bars and coins form to this day part of the reserve for the notes of the Imperial Bank and the silver thaler is as good a legal tender as the gold piece of the new standard

Whether from fear of increased losses from further sales of silver, or from the instinctive presentiment that any haste must force France to adopt irrevocably the gold standard, the German government had resisted the pressure of the friends of the gold standard, and withheld the sales of silver. Germany would, indeed, have assumed heavy responsibility had she attempted to hinder or prevent any international agreement on the standard question, which through the Paris Conference had become probable.

England benefited more than any other country by the suspension of the German sales of silver. For the experience which England had had in the decline of her international trade from the demonetization of silver indicates plainly that the recent and but half-forgotten commercial crisis would re-appear with increased vigor should the depreciation of silver spread, and should France, for instance, be forced to the adoption of the gold standard.

Let us hope that the increased agitation for the double standard, through future international conference or negotiation, may induce England to take a position different from that which Mr. Goschen assumed at the Paris Conference. England, although she would naturally prefer to use another country as cat's paw, must acknowledge that there is small hope of an international agreement so long as she persists in the gold standard.

Germany, if she alone should return to the double standard, would risk seeing her gold exported to France, or to the United States, for the introduction and maintenance of the gold standard. Similar dangers menace the United States and France in an analagous case; and if England believes that these three leading countries will agree upon the re-establishment of the double standard, and thus restore to trade the unchecked influx of both metals, she will discover that she has made a fatal miscalculation. For each of these countries may justly claim :

1. That should the existing crisis continue and increase, their protective tariffs would, in a great measure, insure them against its dangers.

2. That the pressure on international trade caused by the depreciation of silver, must affect England most injuriously, since that country has the most extended international trade.

3. That the more and more unbearable conflict between the silver standard in India and the gold standard in England—which steadily decreases the flow of silver from India to England, and seriously complicates the Indian finances—makes it obligatory upon England to begin the introduction of the double standard simultaneously in both countries.

The most experienced English statesmen of both parties have always hesitated to attempt the introduction of the gold standard into India. And it was no secret to the sound mercantile sense of the English that it would be totally impracticable to introduce the double standard in India alone, since any such attempt could result only in the expulsion of Indian gold to to the advantage of other countries.

If, therefore, England persists in the opinion of Mr. Goschen, who—contrary to his distinguished countryman Newton—denounces the idea of a basis of fixed relative value between the two metals in the coinage of all countries, with the universal resumption of the double standard (the American proposal), as a Utopian scheme, she had better calculate the consequences. England should consider that such proceedings may make it impossible for the German government to resist successfully the pressure of the advocates of the gold standard for its immediate and decided enforcement in Germany; that in that case France would most probably be whirled into the same current, and that the United States would not care to make single-handed the vain attempt to free the world from the nightmare of the gold standard.

I doubt not that the ruinous consequences of such a depreciation of silver as must result, will in the end lead humanity to return to the old system of using the two precious metals in trade; but the responsibility of causing the crisis will rest with England, to whom its dire effects will be most directly and most heavily brought home.

X.

THE FUTURE MONETARY POLICY.

The advocates of the gold standard point with especial delight to its introduction into England, Germany and the United States, as a result which developed itself with the irresistibility of a natural law, against whose force all human resistance would have been vain, and to which the remaining countries will also soon succumb. Hitherto, they say, gold and silver peaceably and jointly sufficed for the trade of the world; but now a war has broken out between them, which must end in the destruction of one or the other as a standard metal.

A thorough study of the history of the standard question proves this opinion to be entirely unwarrantable. A human caprice or, if you will, human assurance, induced England to adopt the gold standard, and the singular dualism of England and India, and other causes, prevented this monetary change from producing that immediate depreciation of silver which at once took place when Germany and the United States, infected by her example, imitated England—not yielding to the force of a natural law, but drawn into that current which a zealous propaganda of fallacious theory had temporarily produced in public opinion.

The present situation is the more cramping and depressing, as the German Empire alone cannot undo accomplished facts without provoking dangers to its economic development which are recognized and appreciated even by decided opponents of the gold standard. The fruitless attempt by the United States to remonetize silver has demonstrated the helplessness of a single country in such an eminently international matter as the standard question; and should Germany attempt alone to resume the double standard, she would either undergo experiences similar to those of the United States when they attempted to adjust the ratio of gold and silver to then present conditions, or would be in danger of losing her gold without arresting the depreciation of silver.

However much we may be convinced that Germany, for many reasons, would have done better if she had retained the silver standard with subsidiary gold coinage, and thereby possibly prevented the depreciation of silver with its injurious consequences, we now find the situation changed:

1. As before intimated, it is questionable whether the isolated return of Germany to the double standard—which virtually means the change to the silver standard—would not lead France and the United States to opposite measures, thus accelerating rather than checking the depreciation of silver.

2. The objection which was so strongly urged against the Bland silver bill, that the interest on the State obligations is guaranteed in gold,* would be energetically pressed in this case also.

3. Finally, Germany would lose the real advantage gained by her gold standard: in that she has gained a foothold in the English market for her bonds, the competition resulting from which may gradually produce a reduction of our rate of interest, the English rate being generally lower—and which must greatly facilitate the negotiation of state and national loans, England being in fact the great capitalist of the European countries. The great change of railroad bonds into consols—by making the roads, state institutions, for instance—is greatly facilitated and expedited, because England is already a good customer for Prussian consols.

If we therefore must renounce the idea that Germany alone could proceed in the matter of standard, we recognize eventually

---

*The interest on United States bonds is not payable in *gold*, but in coin, either silver or gold, of the standard value existing at the date of the Refunding Act.—*Translator.*

an international agreement as the only possible means of restoring the double standard and remonetizing silver. As has been previously stated, England may have hoped that such an agreement would be concluded between Germany, France and the United States, to which England need not be a party, so that she would be able to retain her gold standard. But the proceedings of the Paris monetary conference have apparently shown England that the position assumed by her delegate is untenable, and that the other great civilized countries, however desirous to prevent further depreciation of silver and its ruinous consequences, will be powerless to settle finally the monetary question so long as England maintains her isolated position. It is evident that no state can guarantee certain future legislation. Such assurances can only be possible if they at once establish a situation which makes it very difficult for any one of the contracting countries to adopt a policy inconsistent with the agreement. Such a situation would ensue, if the contracting states, including England, should determine, at a specified time:

1. To substitute full value silver coins for silver fractional currency.
2. To permit the coinage of both silver and gold according to the fixed ratio of 15.5 : 1.

While the non-participation of England in such a convention would admit the possibility that any country might find it to its interest to join England in adherence to the gold standard; the universal adoption of the double standard would make it impossible for any country, including England, to re-open the standard question without seriously injuring its own interests.

As this palpable deduction must restrain all interested countries from entering into any agreement on the standard question without England, it will on the other hand induce them to exert all their influence to gain the co-operation of England; and England will be forced to consider whether, by maintaining her isolated position, she will accelerate the depreciation of silver which cannot fail to follow if Germany throws her remaining stock of silver upon the market, thereby obliging France to adopt the gold standard.

As I understand it, Germany has, by suspending her sales of silver, intimated that she is not now averse to international negotiations on the standard question, and that she recognizes and appreciates the mischievous results of her demonetization of silver; but the assumption by England of an attitude of hesitation or hostility would force her to continue her present course, to prevent other countries from profiting by her sales of silver, an advantage which must inflict fresh losses upon Germany. The crisis we have endured would be child's play compared with the catastrophe which must result from such a development.

Lord Beaconsfield's clear perception and broad view of the importance of the standard question; the lively agitation in the commercial centres of England; the exhaustiveness of the controversy, technical and scientific, by English financiers, permit hope that this repetition and aggravation of the crisis will not be necessary to lead the trade of the world back to the channels in which it has moved for centuries. There is hope that the decision of England in favor of the remonetization of silver, and the establishment of the double standard in England and India, will re-open the influx of both the precious metals which has at all times been so conducive to the progress of civilization.

" England," says Mr. Kelley, in conclusion of a short treatise on the double standard, " will be one of the signatory powers to a convention which will establish bi-metallism for the world, and by making it universal, make it as enduring as society." [54] May he be a true prophet in the interest of the economic development of our German fatherland, and of the progressing civilization of all countries of the globe.

---

[54] W. D. Kelley—" Bimetalism." Philadelphia. 1879.